LIBRARY
SUPREME COURT, U. S.

Office-Supreme Court, U.S.
FILED
JUL 9 1965
JOHN F. DAVIS, CLERK

In The

Supreme Court of the United States

October Term, 1965

No. 333

HULBURT OIL AND GREASE COMPANY,
an Illinois Corporation,
Petitioner

vs.

HULBURT OIL AND GREASE COMPANY,
a Pennsylvania Corporation,
Respondent

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SEVENTH CIRCUIT

J. Willison Smith, Jr.,
Bayard M. Graf,
Counsel for Petitioner.

Philadelphia National
Bank Building,
Philadelphia, Pa. 19107.

Murrelle Printing Company, Law Printers, 301-305 Lockhart Street, Sayre, Pa.
Joseph F. Heffernan, Philadelphia Representative, MU 6-5092

INDEX

	Page
Petition for Writ of Certiorari:	
Opinion Below	1
Jurisdiction	2
Question Presented	3
Statute Involved	4
Statement	4
Reasons for Granting the Writ	6
Conclusion	9
Appendix A—Statute	10
Appendix B—Opinion and Judgment Below	12

TABLE OF CITATIONS

Cases:

Biltmore Homes, Inc. v. French, 373 Mich. 693, 130 N.W. 2d 907, 910 (1964)	8
General Industries Co. v. 20 Wacker Drive Bldg. Corp., 156 F. 2d 474, 476	7
Hazelton Boiler Co. v. The Hazelton Tripod Boiler Co., 142 Ill. 494, 505, 30 N.E. 339	9
Myers v. Bethlehem Shipbuilding Corp., 303 U.S. 41, 52, 58 S. Ct. 459, 464, 82 L. Ed. 638, 645	8
Rock-Ola Mfg. Corp. v. Dan M. Wertz, 249 F. 2d 813, 814 (C.A. 4, 1957)	6

The Investors Syndicate of America, Inc. v. Edward J. Hughes, Secretary of State, 378 Ill. 413, 421, 38 N.E. 2d 754 9

United States v. General Motors Corp., 323 U.S. 373, 377, 65 S. Ct. 357, 359, 89 L. Ed. 311, 318 8

Woods v. Interstate Realty Co., 337 U.S. 535, 538, 69 S. Ct. 1235, 1237, 93 L. Ed. 1524 6

STATUTES:

28 U.S.C. Sec. 1254(1) 2

Ill. Rev. Stat. 1963, Ch. 32, Sec. 157.125 4

IN THE
SUPREME COURT OF THE UNITED STATES

October Term, 1965
No.

Hulburt Oil and Grease Company,
an Illinois Corporation,

Petitioner

v.

Hulburt Oil and Grease Company,
a Pennsylvania Corporation,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

Hulburt Oil and Grease Company, an Illinois Corporation, prays that a Writ of Certiorari issue to review the judgment of the United States Court of Appeals for the Seventh Circuit, entered in the above-entitled case on June 3, 1965.

CITATIONS TO OPINIONS BELOW

The Order of the district court is printed in the Record 33-36 and is unreported. The opinion of the

Circuit Court of Appeals, printed in Appendix B hereto, infra, pp. 12-17, is reported in 345 F. 2d

JURISDICTION

The Judgment of the Circuit Court of Appeals was entered on June 3, 1965, p. 17, infra. The jurisdiction of this Court is invoked under 28 U.S.C., Section 1254 (1).

QUESTION PRESENTED

Whether a Federal District Court has jurisdiction to exercise any discretion where the suit is barred by the Illinois statute applicable to the Illinois State Courts and the Federal District Court sitting in Illinois.

STATUTE INVOLVED

The statutory provisions involved are Ill. Rev. Stat. 1963, ch. 32, section 157.125. They are printed in Appendix A, infra, pp. 10-11.

STATEMENT

Respondent Pennsylvania corporation filed a Complaint against Petitioner Illinois corporation wherein it claimed that Petitioner had improperly taken its name (R. 1-10). The jurisdiction of the district court was invoked because of diversity of citizenship, the respondent being a citizen of Pennsylvania and the petitioner a citizen of Illinois (R. 1).

A Motion To Dismis the Complaint was filed (R. 16) by petitioner on the ground, among others, that the Complaint showed on its face that respondent is a foreign corporation transacting business within the State of Illinois without a certificate of authority so to do and, the respondent was therefore prohibited under the laws of the State of Illinois from bringing or maintaining this suit.

The Illinois Statute provides "no foreign corporation transacting business in this state without a certificate of authority shall be permitted to maintain an action at law or in equity in any court of this State, until such corpora-

tion shall have obtained a certificate of authority" (Appendix A).

The district court after hearing testimony and considering depositions issued a Preliminary Injunction (R. 35-36) against petitioner's use of its name. In its Order for Preliminary Injunction, filed September 9, 1964 nunc pro tunc as of September 3, 1964, the district court found as Finding of Fact Number 3 (R. 33):

> "3. That for a number of years prior to the filing of this suit and presently plaintiff has been and is doing business in Illinois, although it has not registered as a foreign corporation in said State."

The Seventh Circuit, on appeal from the issuance of the Preliminary Injunction, failed to consider the question that the Illinois district court was without jurisdiction to entertain the suit by virtue of the Illinois statute prohibiting the maintenance of an action such as this. The court below affirmed the order of the district court on the ground that a district court has discretion to issue or withhold a preliminary injunction without regard to deciding whether or not that court had jurisdiction to exercise discretion (Appendix B, infra, pp. 12-17).

Respondent had offered to franchise its name and lease its Illinois assets to petitioner's principal (R. 12-15). Under the law of Illinois it was necessary to incorporate defendant to have a contracting party to do business in Illinois (Appendix A, infra pp. 10-11).

REASONS FOR GRANTING THE WRIT

1. The decision of the court below in the instant case is directly in conflict with the decision of the Fourth Circuit Court of Appeals in *Rock-Ola Manufacturing Corporation v. Dan M. Wertz,* 249 F. 2d 813, 814 (C.A. 4, 1957), where it was held that a suit barred in the state court is likewise barred in a federal court sitting in that state as follows:

> "In Woods v. Interstate Realty Co., 1949, 337 U.S. 535, 69 S. Ct. 1235, 93 L. Ed. 1524, the Supreme Court put to rest all doubt as to the effect of qualification requirements upon the jurisdiction of Federal courts in diversity cases. If the doors of a State's court are properly shut to a foreign corporation, it is now settled that the corporation is likewise barred from suing, on the basis of diversity of citizenship, in a Federal Court sitting in that state. . . ."

This rule of law, adopted by the Fourth Circuit Court of Appeals, was advocated before the court below. The court refused to adopt such rule and sustained jurisdiction.

This Court held in *Woods v. Interstate Realty Co.,* 337 U. S. 535, 538, 69 S. Ct. 1235, 1237, 93 L. Ed. 1524, "that for purposes of diversity jurisdiction a Federal court is 'in effect, only another court of the State . . .'" This holding was based on the premise that where one is barred from recovery in the state court he should likewise be barred in the federal court. The contrary result would

create discriminations against citizens of the state in favor of those authorized to invoke the diversity jurisdiction of the federal courts.

---

2. The conflict between the Fourth and Seventh Circuits persists. In a like situation the Seventh Circuit in *General Industries Co. v. 20 Wacker Drive Bldg. Corporation,* 156 F. 2d 474, 476, recognized the Illinois law denying a foreign corporation the right to sue where it had not complied with the statute of Illinois which permits such corporation to do business in Illinois. The Seventh Circuit there said (p. 476):

> ". . . we think it clear that the State of Illinois may deny to a foreign corporation the right to sue in its courts to enjoin a domestic corporation from using a name similar to that of the foreign corporation where such foreign corporation has not complied with the statute of Illinois which permits such corporation to do business in the State . . ."

But the Seventh Circuit went on to hold (p. 476): that while the foreign corporation may be effectively foreclosed:

> ". . . from any remedy in the courts of Illinois, it does not follow that the Federal courts were also closed to the [foreign corporation] . . ."

Thus the Fourth Circuit holding that a foreign corporation barred in the state court is also barred in the federal court is contrary to the holdings in the Seventh Circuit that a foreign corporation barred in the state court is not barred in the federal court.

3. Although the judgment below is not a final one, it is appropriate for review because it involves an issue

"fundamental to the further conduct of the case": *United States v. General Motors Corp.*, 323 U.S. 373, 377, 65 S. Ct. 357, 359, 89 L. Ed. 311, 318. It is true that ordinarily the decree of a district court granting or denying a preliminary injunction will not be disturbed on appeal. But that rule of practice has no application where, as here, there is an insuperable objection to the maintenance of the suit in point of jurisdiction and where it clearly appears that the decree was the result of an improvident exercise of judicial discretion: *Myers v. Bethlehem Shipbuilding Corporation*, 303 U.S. 41, 52, 58 S. Ct. 459, 464, 82 L. Ed. 638, 645.

The Complaint admits in Paragraph 3 (R. 2) that respondent manufactures products in its plants situated in Benton, Illinois. The court below found, fact number 3 (R. 33), that respondent has for a number of years been doing business in Illinois and not registered as a foreign corporation in Illinois. Nothing more needs to be proved or shown. These are insuperable facts to the maintenance of the suit in point of jurisdiction.

The Supreme Court of the State of Michigan in *Biltmore Homes, Inc. v. French*, 373 Mich. 693, 130 N.W. 2d 907, 910, decided November 2, 1964 under a similar situation where there was an unregistered foreign corporation doing business, held, it is not necessary ". . . to hear the whole case. That would be of course to dilute the statute still more, requiring the parties supposedly protected by the law to go to the expenses of full litigation before it could be known if such protection against unlicensed corporations amounted to anything."

The Illinois statute mandates that no foreign corporation illegally doing business in Illinois shall be permitted to *maintain* an action at law or in equity.

4. The decision of the court of appeals, affirming the district court, results in a refusal to follow the decisions of the Supreme Court of the State of Illinois. The decisions of the federal courts below are not a reasonable and permissible result. The Illinois Supreme Court held in the *Hazelton Boiler Company v. The Hazelton Tripod Boiler Company*, 142 Ill. 494, 505, 30 N.E. 339, that a foreign corporation can not, in the Illinois courts, contest the right of a domestic corporation to the corporate name given it by Illinois in its articles of incorporation. In fact, the Illinois Supreme Court has upheld the right of the Illinois Secretary of State to refuse a certificate of authority to a foreign corporation where its parent foreign corporation with such a certificate of authority consents to the issuance thereof: *The Investors Syndicate of America, Inc. v. Edward J. Hughes, Secretary of State*, 378 Ill. 413, 421, 38 N.E. 2d 754.

CONCLUSION

For the foregoing reasons, this petition for a writ of certiorari should be granted.

Respectfully submitted,

J. Willison Smith, Jr.,
Bayard M. Graf,
Counsel for Petitioner.
Philadelphia National
Bank Bldg.
Phila., Pa. 19107.

June, 1965.

APPENDIX A

Ill. Rev. Stat. 1963, ch. 32, Section 157.125 is as follows:

No foreign corporation transacting business in this state without a certificate of authority shall be permitted to maintain an action at law or in equity in any court of this State, until such corporation shall have obtained a certificate of authority. Nor shall an action at law or in equity be maintained in any court of this State by any successor or assignee of such corporation on any right, claim or demand arising out of the transaction of business by such corporation in this State, until a certificate of authority shall have been obtained by such corporation or by a corporation which has acquired all or substantially all of its assets.

The failure of a foreign corporation to obtain a certificate of authority to transact business in this State shall not impair the validity of any contract or act of such corporation, and shall not prevent such corporation from defending any action at law or suit in equity in any court of this State.

A foreign corporation which transacts business in this State without a certificate of authority shall be liable to this State, for the years or parts thereof during which it transacted business in this State without a certificate of authority, in an amount equal to all fees, franchise taxes, penalties and other charges which would have been imposed by this Act upon

such corporation had it duly applied for and received a certificate of authority to transact business in this State as required by this Act, but failed to pay the franchise taxes which would have been computed thereon, and thereafter filed all reports required by this Act; and in addition thereto it shall be liable for a penalty of ten per cent of such filing fee, license fee and franchise taxes. The Attorney General shall bring proceedings to recover all amounts due this State under the provisions of this section.

APPENDIX B

The opinion of the United States Court of Appeals for the Seventh Circuit filed June 3, 1965, before Hastings, Chief Judge, and Knoch and Kiley, Circuit Judges is as follows:

IN THE UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT

September Term, 1964—April Session, 1965

No. 14916

Appeal from the United States District Court for the Northern District of Illinois, Eastern Division.

Hulburt Oil and Grease Company,
a Pennsylvania Corporation,

Plaintiff-Appellee,

v.

Hulburt Oil and Grease Company,
an Illinois Corporation,

Defendant-Appellant.

Appendix B

June 3, 1965

Before Hastings, *Chief Judge,* and Knoch and Kiley, *Circuit Judges.*

Knoch, *Circuit Judge.* Plaintiff-appellee, Hulburt Oil and Grease Company, a Pennsylvania corporation, brought this action in the United States District Court to determine the defendant's right to use the name "Hulburt Oil and Grease Company" in the State of Illinois.

Defendant asserts that plaintiff may not maintain this action because plaintiff is a foreign corporation which has been transacting business in Illinois without a Certificate of Authority and hence plaintiff is barred by Illinois Statute from maintaining this action in a court sitting in Illinois. Ill. Rev. Stat. 1963, ch. 32, §157.125.

In its complaint the plaintiff has alleged the following facts. Plaintiff had been incorporated in Pennsylvania in 1910 as "C. Hulburt and Company, Incorporated," succeeding to the business conducted there since approximately 1861, as the sole proprietorship of a family with the surname "Hulburt." In 1918, the corporate name was changed to "Hulburt Oil and Grease Company" under which plaintiff had continuously engaged in business up to the present time.

John R. Michael had been an official of plaintiff from 1919 until his resignation on or about December 31, 1959, since when he had served plaintiff as a consultant on a continuous and paid basis, and he had been a minority stockholder of plaintiff, until about May 7, 1964.

Appendix B

John R. Michael had been succeeded as General Manager of plaintiff by his son, David H. Michael, on or about May 1, 1955. David Michael had also served as Secretary-Treasurer of plaintiff from about February 7, 1956 until about May 10, 1964, remaining an employee and a minority stockholder till about May 7, 1964.

Another son of John R. Michael, J. Graham Michael, was also a minority stockholder until about May 7, 1964. Howard A. Walters was plaintiff's General Sales Manager from about September, 1960, until his resignation on or about April 2, 1964.

Plaintiff, represented solely by David Michael as Director, General Manager and Secretary-Treasurer, purchased real estate and property in Benton, Illinois, for plaintiff's use as a plant to manufacture and pack industrial lubricants, beginning in the summer of 1963. Title to the Benton property vested in plaintiff December 31, 1963, formal notification of recording on December 31, 1963, being given to David Michael, then General Manager of plaintiff, on or about January 3, 1964.

After they had terminated their relationship with plaintiff on or about May 21, 1964, John R. and David H. Michael and Howard A. Walters, without knowledge or consent of plaintiff, caused the defendant to be incorporated in Illinois with the same corporate name and purposes as plaintiff, although they had a valid properly named corporate vehicle, Michael-Walters Industries, Inc., incorporated in Illinois on or about April 23, 1964, with similar corporate purposes.

Plaintiff asserts that its General Manager was charged with the responsibility not only of determining the loca-

tions at which plaintiff would manufacture its product but also of seeing to it that plaintiff was qualified to do business in such locations.

Plaintiff charges that David Michael, and his father before him, wilfully and improperly failed to qualify plaintiff to do business in Illinois, in violation of their duties and responsibilities; that all three former officials wilfully and improperly placed themselves in a position to register plaintiff's distinctive and reputable name as their own, putting themselves into competition with plaintiff in Illinois in violation of the settlement agreement whereby David H. Michael and John R. Michael (who prior thereto had agreed not to compete with plaintiff at all) were now empowered to compete with plaintiff but only in a "lawful manner."

The District Court found that John R. Michael, who had been employed for a number of years as General Manager (and in other official positions) of plaintiff, had caused defendant corporation to be organized although under his and his son's management plaintiff had been doing business in Illinois without being registered as a foreign corporation in Illinois, and despite John R. Michael's duty to protect plaintiff's name in Illinois for plaintiff's use, with no right in himself to acquire the name; that he thus interfered with plaintiff's business, doing so for the improper purpose of preventing plaintiff from qualifying to do business in Illinois.

The District Judge concluded that a preliminary injunction was necessary to prevent immediate irreparable damage to plaintiff. Accordingly a preliminary injunction was granted

* * * against defendant, its officers, agents, representatives, servants, employees and attorneys and all persons, firms and corporation in active concert, privity or participation with it, enjoining and restraining defendant, pending the termination of this action or until further order of this Court from:

(a) Using the name "Hulburt Oil and Grease Company" as its corporate name and title or as a trade name, or in any other way which might interfere with the business being conducted by the plaintiff under that name, and from using any other name so nearly similar thereto as to cause or tend to cause confusion in the minds of the public between the plaintiff and the defendant;

(b) Using the word "Hulburt" as any part of either its corporate name or title or any trade name, or in any other way which might interfere with the business being conducted by the plaintiff under that name, and from so using any other so nearly similar thereto as to cause or tend to cause confusion in the minds of the public between the plaintiff and defendant; * * *

This injunction was conditioned on plaintiff's filing bond in the sum of $10,000 to pay such costs and damages as might be incurred by defendant should it be found that defendant had been wrongfully enjoined.

Defendant has appealed on the ground, as indicated above, that plaintiff is barred by statute from bringing its action because it has not qualified to do business under its name in Illinois, regardless of the circumstances which have made such qualification impossible.

At this stage of the proceedings we need not decide whether defendant is or is not estopped from raising this particular defense.

A motion for preliminary injunction is directed to the District Court's sound discretion. *Doeskin Products v. United Paper Co.*, 7 Cir., 1952, 195 F. 2d 356, 358. In equity suits a District Court has a wide discretion to issue or withhold a temporary injunction and ordinarily this Court will not interfere. *Cosentino v. United Bro. of Carpenters etc.*, 7 Cir., 1959, 265 F. 2d 327, 331, unless it appears that there was an abuse of discretion. *National Grain Yeast Corp. v. City of Crystal Lake*, 7 Cir., 1945, 147 F. 2d 711, 713; *In re South State Street Bldg. Corp.*, 7 Cir., 1943, 140 F. 2d 363, 366, cert. den. 322 U. S. 761.

On the facts as pleaded and on the facts as found by the District Judge, we find no abuse of discretion in the Trial Court's action to maintain the status quo, with an adequate bond for defendant's protection, pending final determination of this matter.

The order of the District Court is affirmed.

Affirmed.

A true Copy:

Teste:

.....

Clerk of the United States Court of Appeals for the Seventh Circuit.